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UNCLAS LILONGWE 000577

SIPDIS

STATE FOR AF/S, INR/AA
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STATE FOR EB/IFD/OMA FRANCES CHISHOLM
TREASURY FOR INTERNATIONAL AFFAIRS/AFRICA/BEN CUSHMAN

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TAGS: [ECON](#) [EFIN](#) [KDEM](#) [PREL](#) [PGOV](#) [KCOR](#) [MI](#) [BUD](#) [FIN](#)

SUBJECT: PARLIAMENT RECONVENES TO FOCUS ON BUDGET

REF: A. LILONGWE 00508

[B](#). LILONGWE 00540

[C](#). LILONGWE 00555

[1](#). Parliament reconvened on Thursday, July 7, to focus on passing the budget for 2005/06. This is the first meeting of Parliament since the late Speaker collapsed on the floor of the House on June 23 during debate over Presidential impeachment procedures. MPs seemed focused on addressing the budget more seriously, as they decided to discuss only the budget through July 15.

[2](#). The House voted unanimously to focus on the budget for the next seven days. The First Deputy Speaker will serve as Speaker until the 18th, when they will elect a new Speaker. MPs also unanimously passed a motion to approve a continuing resolution, giving approval for government spending from July 1 - September 30th. The Opposition Spokesperson on Finance then gave his response to the budget, in which he called for a universal fertilizer subsidy, a decrease of two to four percent for the VAT tax, and a bigger raise for the civil service.

[3](#). Comment: It is a good sign that Parliament has decided to focus only on the budget, with the hope that it will be passed by the end of next week. MPs seem to have gotten the message that donors, civil society, and the public at large have been trying to get across. However, if Government compromises on the fertilizer subsidy, and implements an expensive universal subsidy without cutting costs somewhere else, it could cause macro-economic problems and hurt their chances of concluding a new IMF agreement.

GILMOUR